

<b>TITLE</b>	<b>Street Lighting Upgrade Project – Joint Contract with Slough, Reading and Wokingham</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 24 September 2015
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Heather Thwaites, Director of Environment
<b>LEAD MEMBER</b>	John Kaiser, Executive Member for Planning and Highways

## **OUTCOME / BENEFITS TO THE COMMUNITY**

This project will result in more than £500,000 of revenue savings in its first four years through significantly reduced energy and maintenance costs within the street lighting service. In addition it will reduce CO2 emissions, reduce the risk to the public of column failures and provide for better asset management. It will reduce general light pollution whilst providing a better quality of light giving better colour rendition and facial recognition.

## **RECOMMENDATION**

The Executive is advised to:

- 1) note the outcome of the joint tender process, which has been subject to EU regulations and has been advertised accordingly;
- 2) note the successful joint bid to the Department of Transport's (DfT's) Challenge Fund and the resultant contribution to the project costs; and,
- 3) give approval for the joint project to proceed;
- 4) approve the capital budget of £4m, plus the £8.12m ring fenced government grant. The expected profile for this spend is £80,000 current year, £1.825m in year 2, £1.825m in year 3 and £0.27m in year 4..

## **SUMMARY OF REPORT**

The street lighting upgrade programme will save the Council money and provide modern and better lighting across the entire Borough. It will allow us to replace aging assets that have exceeded their end of life and are becoming a liability – evidenced by two column collapses in the last 4 years. The new management system will provide better control and information about the asset reducing our ongoing maintenance costs and improving the quality of service we can provide to the public.

Subsequent to the Executive's approval to progress Street Lighting Replacement project, on the 31<sup>st</sup> July 2014, joint working and contract arrangements with Slough and Reading Borough Councils have been agreed. A successful joint bid was made to the DfT's Challenge Fund resulting in a 70% grant funded contribution to the original estimate project costs. Wokingham is expected to receive a £8.12m contribution

towards the total £12.12m cost of the project, if the DfT conditions are met with regards to timing and performance. The project will deliver revenue savings of more than £500,000 in the first 4 years and will continue to deliver savings throughout the life of the project estimated to total some £9.5m in total even after taking in to account the cost of borrowing.

The procurement process, led by Slough BC, will take place during 2015 (see Appendix A) with the contract award in December, a works start in April 2016 and completion in March 2018. The project will include the Council's non Highway street lighting - Housing, Parks and Open Spaces, Property Management and Car Parks. The Town and Parish Councils have been invited to take advantage of the project, if they wish to replace any of their lighting assets.

## Background

The Executive considered a “Street Lighting Replacement” report at their meeting of the 31<sup>st</sup> July 2014 and resolved that:

1. the street lighting replacement project of up to £11.6m be approved;
2. the procurement route of Option 2 be approved and the tender results be reported to Executive for final approval;
3. the form of borrowing of up to £11.6m be delegated to the Director of Finance and Resources; and
4. the financial appraisal showing a net revenue benefit of £14m over 20 years, which is attributable to the avoidance of escalating energy costs, be noted.

Option 2 was to proceed with a specific construction contract for the project, rather than using the existing maintenance contract or delaying the project until the existing contract expired.

Subsequent to the above, a meeting of the five Berkshire Authorities was convened to investigate the potential for joint working to increase the benefits and reduce costs. This resulted in Slough, Reading and Wokingham Borough Councils wishing to proceed with a joint contract with a total estimated value of approximately £27m. On-going discussions between the three Boroughs agreed that Wokingham would lead on the specifications and that Slough would lead with the contract documents, procurement, contract management and delivery. A Memorandum of Understanding, setting out the terms of the joint working and the cost sharing arrangements, was drafted and signed by the relevant Directors.

In February 2014 a joint submission was made to the DfT’s Challenge Fund for the part funding of the project. The submission was successful and the project will be receiving a contribution up to 70% of the original estimated costs. Wokingham’s proportion of this is £8.12m – this is grant money, not a loan. To comply with the terms of the DfT’s Challenge Fund contribution, the works programme has been reduced to two years, starting in April 2016 with completion in March 2018.

Although the majority of the column replacements, LED lantern conversions and LED Sign Lights will be related to Highway street lighting, the project will also include other relevant columns and lighting units owned by the Council - Housing, Parks and Open Spaces, Property Management and Car Parks. An invitation to take advantage of the contract arrangements has also been extended to those Town and Parish Councils that own street lighting, should they wish to replace any of their units – this being at their cost. Once the actual contract costs are known, detailed discussion will take place with the T&P Councils and this will include possible future maintenance arrangements.

Since the original estimate of the extent of works for the project was undertaken, further analysis of the asset inventory has been carried out and this has resulted in a potential increase in the project cost. This has been reflected in the financial figures shown in the report.

As stated above, the procurement process is being led by Slough BC, with input and scrutiny by the Legal and Procurement Officers from Reading and Wokingham. The proposed procurement timetable is shown in Appendix A.

## Analysis of Issues

The new contract will need to be awarded by December 2015 to allow for mobilisation, Funding timelines and the joint working agreement to commence in April 2015

The new contract will be awarded based on the most economically advantageous tender for the three Boroughs, evaluated against the following weighted criteria: 70% cost – 30% quality

## Risks

Risk	Could Happen	Mitigation Action
Programme and performance do not comply with DfT grant conditions	Grant is reduced	Specific performance measure is included in the contract with associated financial penalties
Increased disruption to residents and traffic due to reducing project programme from five to two years	Complaints/dissatisfaction.	Agree a communications plan with Contractor incl. letters for residents and emails to interested parties.
Increased disruption to residents and traffic due to reducing project programme from five to two years	Failure to coordinate with other works and/or events by inadequate Permitting/liaison with NRASWA Team	Specific performance measure is included in the contract with associated financial penalties
Disagreement between the three participating Boroughs	Failure of the joint working arrangements	Dispute procedure included in MoU. Employment of a dedicated Contract "Service Manager"
A greater number than expected of WBC private cables found to be defective and in need of replacement	Increase in project costs	Monitor and report any significant pressure on budget

## Impact on Equality and Sustainability

The project proposals do not increase the adverse effects on any specific group and, in some cases, could result in being more inclusive with the use of white light. The current practice of dimming and the 'part night' lighting policy, adopted by the council in January 2011, will be implemented with the new installations. An Equality Impact Assessment for the project has been undertaken.

The project outcomes will have a positive impact on the environment in a number of ways:

- By reducing energy consumption and thus the carbon footprint of the street lighting service.
- By ensuring a safer environment for the public by replacing "at risk" columns
- By reducing the general levels of direct light pollution with the installation of lanterns with more modern, improved optics

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost?	Is there sufficient funding?	Revenue or Capital?
Current Financial Year (Year 1)	£80k	Yes	Capital
Next Financial Year (Year 2)	£1.825m	Yes	Capital
Following Financial Year (Year 3)	£1.825m	Yes	Capital
Following Financial Year (Year 4)	£0.27m	Yes	Capital

	How much will it (Cost)/Save?	Is there sufficient funding?	Revenue or Capital?
Current Financial Year (Year 1)	(£2.6k)	N/A	Revenue
Next Financial Year (Year 2)	£42k*	N/A	Revenue
Following Financial Year (Year 3)	£192k*	N/A	Revenue
Following Financial Year (Year 4)	£288k*	N/A	Revenue

*\*The actual savings figures achieved will be dependent upon the price of energy in the appropriate year.*

### **Other financial information relevant to the Recommendation/Decision**

The savings figures above include the cost of borrowing the money to finance the project.

The project savings are subject to variation based upon inflation of maintenance works and energy costs. However based upon an optimistic assessment of likely values over the next 20 years the total savings the project accrues amount to £9.5m.

The original approval, for the Street Lighting Replacement, was given on the basis that the Council would fully fund the project. However, as part of the joint working arrangements with Slough and Reading, a bid was submitted in February 2015 to the DfT's Challenge Fund for the part funding of the project. The DfT announced, in late March 2015, that the joint bid had been successful and that they would provide a contribution up to 70% of the original estimated value – a minimum of 30% of the funding is to be provided locally. Wokingham is therefore expected to receive £8.12m thus lowering the borrowing requirement and proportionately reducing the revenue implications. This will also substantially reduce the “pay-back” period for the project and therefore realise greater savings for the Council.

The works are scheduled to be completed in March 2018 and therefore the main costs will fall within years 2 & 3 but 2% retention will be withheld for 12 months from the contract's substantial completion. There will therefore be a requirement for the capital funding to extend into a 4<sup>th</sup> year (2018/19) for the purpose of releasing the retention.

### **Cross-Council Implications**

The project will impact other services by the inclusion of the Council's non-highway street lighting assets - Housing, Parks and Open Spaces, Property Management and Car Parks. The project is expected to be the preliminary step in the transfer of future maintenance, management and funding responsibilities to the Council's Street Lighting Team. Although a significant proportion of the capital expenditure will be used to deal with the Council's aging street lighting columns, to mitigate the risks of a structural failure, it will also provide the opportunity to install the latest technology in LED lighting units and remote management systems. The combination of these will result in a significant reduction in on-going energy use/costs, as well as maintenance costs in the initial 20 years, thus contributing to achieving the Council's financial targets.

The project will also have a positive impact on other Council Priorities e.g. "Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth" and "Ensure strong sustainable communities that are vibrant and supported by well-designed development", and will contribute to a "safer" and more inclusive environment in which to live.

### **Reasons for considering the report in Part 2**

So as not to compromise the joint working arrangements with Slough and Reading BC's, the identity of the preferred contractor and tender details will be commercially and legally sensitive, is an active EU Tender process and needs to remain confidential, until the joint "Notification of award", scheduled for the 1<sup>st</sup> October 2015

### **List of Background Papers**

Executive report – 21<sup>st</sup> July 2014  
Equality Impact Assessment

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## APPENDIX A

<b>PROPOSED TENDER PLAN</b>		
<b>Action</b>	<b>Target Date</b>	<b>Risks/comments</b>
OJEU Notice Published	26/05/2015	
Issue Prequalification Questionnaire (PQQ)	26/05/2015	
Deadline for receipt of written questions from suppliers (by 17:00 Hours)	12/06/2015	
Issue answers to questions	19/06/2015	
<b>Closing date for receipt of PQQ (by 12:00 hours)</b>	06/07/2015	
PQQ evaluation completed	15/07/2015	
<b>Issue Invitation to Tender (ITT)</b>	20/07/2015	
Deadline for receipt of written questions from suppliers	03/08/2015	
Issue answers to questions	10/08/2015	
<b>Closing date for receipt of Tenders (by 12:00 hours)</b>	25/08/2015	
<b>Tender Evaluation Report Submitted</b>	17/09/2015	
Notification of award	01/10/2015	
Alcatel period commences	01/10/2015	
Alcatel period ends	15/10/2015	
Contract award date	01/11/2015	
<b>Commencement of New Contract</b>	01/12/2015	
<b>Contract Award Notice Published</b>	15/12/2015	

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